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*W Powell,
The right approach.*

From: T L Richardson, ERD
Date: 3 June 1988
cc: Mr Wicks, No 10
Miss Spencer, ECD(E)
Mr Pakenham, UKRep Brussel

Mr Braithwaite o/r

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NLWor.

EC AND TORONTO SUMMIT

- .. 1. I do not know if you saw the attached extract from Thursday's Financial Times. Mr Williams (Rome) rang me to enquire about our views; and I had a word with Mr Pakenham in Brussels.
- 2. I am sure we should resist a "special meeting in Toronto before the Summit begins" of the four EC Heads of Government participating, whether on agriculture, trade, debt or anything else. We speak for ourselves at the Summit and in past years we have resisted where necessary any attempt by the Commission to concert an EC line. Arguments of substance, as distinct from procedure or competence, point in the same direction; we do not want to tie our hands on agriculture and trade.
- 3. I advised Mr Williams not to speak to Italian officials about this in the hope that De Mita's ideas will die a natural death. They are probably a product of his own inexperience and Italian "Europeanness". But we shall need to brief the Secretary of State for the FAC (the agenda includes an informal discussion of prospects for Toronto). I asked Mr Pakenham to keep his ears open, and to let me know if the Italians intended to pursue this idea at or indeed before the FAC.

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...the Community will be in a more flexible position on the international market", if EC governments follow his proposal to increase the money set aside for disposing of excess stocks from Ecu2bn this year to Ecu4bn next year.

A past brake on EC food sales has been lack of money in the budget to make up (to European farmers and their governments) the difference between higher Community and lower world prices.

Officials stressed that the higher figure for depreciation was in line with the new approach, agreed in principle by heads of government in February and already incorporated in this year's budget, to value stocks on a more realistic basis. The gap between the Ecu12bn-Ecu13bn at which stocks are currently in the Community's books and the Ecu4.5bn-Ecu5bn which they are thought to be worth on the world market will be successively reduced by further depreciation in future years.

In a separate development, the Commission yesterday criticised sharply new Reagan Administration moves to reduce the amount of land that US wheat farmers have to take out of production in order to qualify for domestic price support. The level of this "set-aside" has been cut from 27.5 to 10 per cent for 1988/89.

Warning that this could "destabilise" the world wheat market, Brussels officials estimated that each percentage point cut in the US set-aside ratio could raise production by 700,000 tonnes.

The latest moves on both sides of the Atlantic could further aggravate the dispute over farm subsidies which, in turn, threatens to torpedo the current Uruguay Round of the Gatt trade negotiations. The US has expressed itself unimpressed by the farm spending reforms agreed by EC leaders earlier this year. The impact of these is, however, clear in the 1989 budget plan.

The Commission's draft budget, which will get a first reading from the European Parliament this summer and should win final approval by EC governments and MEPs by the year's end, calls for a 0.6 per cent rise to Ecu33bn in so-called obligatory (mainly farm) spending next year. Special price stabilisers have been designed to curb over-production of all key farm commodities.

By contrast, the Commission is proposing a 20 per cent increase in "non-obligatory" spending to Ecu15bn. This latter category includes technological research (Ecu1.5bn) and structural economic assistance (Ecu9.38bn) to poorer Community regions.

vided they do not distort trade.

As part of the drive to create a single market by 1992, the Commission has issued a Green Paper inviting EC member states to comment on how discrepancies in national laws on intellectual property should be tackled.

The document covers all areas of copyright, from industrial design to publishing. It floats ideas for giving copyright protection to digital recordings, computer software and databases.

Proposed legislation will be published after member governments have been consulted.

Italy urges EC nations at summit to agree stance

ITALY WANTS the four European Community heads of government taking part in this month's economic summit in Toronto to co-ordinate their positions on key issues beforehand. Mr Ciriaco De Mita, the Italian Prime Minister, said yesterday. Reuter reports from Brussels.

According to his spokesman he suggested during talks with senior EC officials in Brussels that the four hold a special meeting in Toronto on issues such as agriculture, trade and Third World debt, before the summit begins.

The June 19-21 summit of industrialised countries will bring together the US, Canada, Japan, West Germany, Italy, France and Britain to debate a wide range of economic and political issues.

Mr Jacques Delors, the Euro-

pean Commission president, will also attend. Italian officials said Mr De Mita held talks with Mr Wilfried Martens, Belgium's Prime Minister, and Mr Delors during his first visit to Brussels since taking office on April 13.

Canada's Prime Minister, Mr Brian Mulroney, said last week that the summit might pave the way for a solution to the problem of farm subsidies which has embroiled Washington and the EC in a long-standing dispute over government support to their respective farming communities.

The spokesman said Mr De Mita also expressed Italy's support for Mr Delors continuing as Commission president when his mandate expires at the end of this year. Mr Delors, a former French Finance Minister, has said privately that he would like to stay on.

Commission proposal to subsidise aircraft research

BY WILLIAM DAWKINS IN BRUSSELS

THE EUROPEAN Commission yesterday unveiled plans to spend Ecu60m (£39m) on subsidising cross-border collaborative research in aircraft technology in the two years to 1991.

Mr Karl-Heinz Narjes, the Commissioner for industry, said the cash was intended to compensate for the disadvantages European civilian aircraft companies experienced in competing against heavily defence-funded US counterparts. The money is primarily intended for civilian research, but Mr Narjes admitted that "the boundaries between civilian and military aeronautical research are moving all the time". He could not rule out the chance that the project might produce militarily useful results.

For that reason, the proposal could provoke worries from Ireland, the only neutral Commu-

nity member state, when the EC's research ministers, whose go-ahead is needed, discuss it for the first time on June 29. It follows though is not directly linked with - Commission attempts to enlarge its responsibilities for free competition in public procurement to cover defence equipment.

Mr Narjes said the initial two-year project would be followed by a much larger programme, the exact size of which would be fixed in the light of the performance of the first phase. The cash would be earmarked for pre-competitive joint research in areas like advanced supersonic flight, engine technology and tilt-rotor aircraft. He denied that the project was "concealed subsidisation for Airbus," the source of a long dispute between Brussels and Washington.

Kong

CHINA yesterday began a effort to glean Hong Kong reaction to its proposals for post-1997 constitution for the territory with the arrival of Pengfei, the State Council with prime responsibility for Hong Kong affairs.

Ji Pengfei's 10-day visit marks the start of a three-week opinion gathering exercise by law drafters and constitutional experts from Peking on public attitudes toward the draft Basic Law - the document published a month ago intended to be a blueprint for Hong Kong's constitution once it becomes a special administrative region of China.

Ji's visit comes at a time of unprecedented diplomatic activity focused on Hong Kong: China's Vice Premier with responsibility for the country's special economic zones, Tian Jiyun, left Peking only five days ago after a six-day "stop-over" in the territory.

Sir Geoffrey Howe, British Foreign Secretary, also left the territory only days ago.

Victor Mallet

KT 24/88
Ango

MR Antonio Ferreira Neto, Angolan Health Minister, studiously ignoring demands about the cholera epidemic in the capital, L. Instead he spoke at great length to the journalists gathered in his office about government plans to train the people in the hygiene.

A Brazilian reporter, returned from a toilet building, was outraged. "V asked, were the Health Ministry toilets filthy? Why was toilet paper or running water? Why, she could have added there heaps of uncollected rotting in the street."

Unnerved, the Health Minister said something many of his foreign counterparts might do in front of the media: a cigarette. The chasm between Angolan hygiene policy and reality was painfully obvious.

It is a lesson to be applied where Angola's much-needed economic reform programme appears to be suffering from a discrepancy between words and deeds which is equally obvious. At best it could be said that the pace of reform has undoubtedly slackened.

This year, as the slogan "Year of Economic Recovery" fails to remind you, is the year of Economic Recovery. Battered by low prices for its oil and the bunching of for

June 4, 22:30 hrs

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POLITICAL STATEMENT

1. We the Leaders of our seven countries, and the representatives of the European Community, have considered the future of East-West relations. The discussion has confirmed that our free and democratic societies will stand together in solidarity and cohesion [within the framework of our existing alliances]. We also reaffirmed that nuclear deterrence and adequate conventional strength are the guarantees of peace in freedom. Equally, we confirm our belief in constructive and realistic dialogue and cooperation, including arms control, as the way to build stability between East and West.

2. In several important respects changes have taken place in relations between Western countries and the Soviet Union since we last met. This evolution has come about because the industrialized democracies have been strong and united, and because the inherent limitations of the Soviet social and economic system have forced changes in Soviet policies. Greater freedom and openness in the Soviet Union will offer opportunities to reduce mistrust and build confidence. Each of us will respond positively to any such developments.

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3. We call upon the Soviet leadership to play a responsible role on issues of common concern. We welcome the beginning of the Soviet withdrawal of its occupation troops from Afghanistan. It must be total, and apply to the entire country. The Afghan people must be able to choose their government freely. Each of us confirms our willingness to make our full contribution to the efforts of the international community to ensure the return of the refugees to their homeland, their resettlement, and the reconstruction of their country. We now look to the Soviet Union to make a constructive contribution to resolving other regional conflicts as well.

4. Since our last meeting, progress has been made between the United States and the Soviet Union in agreeing to reduce arms without compromising the security of any of our countries. The INF Treaty, the direct result of Western firmness and unity, is the first Treaty ever to abolish an entire class of weapons. It sets vitally important precedents for future arms control agreements: asymmetrical reductions and intrusive verification arrangements. We now look for deep cuts in US and Soviet strategic offensive arms. We congratulate President Reagan on what he has already accomplished, along with General Secretary Gorbachev, towards this goal.

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5. Nonetheless, the massive presence of Soviet conventional forces in Eastern Europe and the Soviet capacity to launch surprise attacks and large scale offensive operations lies at the core of the security problem in Europe. The Soviet military buildup in the Far East is equally a major source of instability in Asia. These threats must be reduced ¹: enhanced security and stability at lower levels of forces is our goal. We seek a comprehensive, effectively verifiable and truly global ban on chemical weapons.

6. Genuine peace cannot be established solely by arms control. It must be firmly based on respect for fundamental human rights. We urge the Soviet Union to move forward in ensuring human dignity and freedoms, and to implement fully the commitments it has undertaken in the Helsinki process. Recent progress must be institutionalized, the painful barriers that divide people must come down, and the obstacles to emigration must be removed.

7. We take positive note of Eastern countries' growing interest in ending their economic isolation, for example in the establishment and development of relations with the European Community. East-West economic relations can be expanded so long as the commercial basis is sound, they are conducted within the framework of the basic principles and rules of the international trade and payments system, and are consistent with our security interests.

¹ French reserve on preceding section

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8. We pay special attention to the countries in eastern Europe. We encourage them to open up their economies and societies, and to improve respect for human rights. In this context, we support the continuation and strengthening of the Helsinki process.

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If leaders wish to have text on the Middle East, paragraphs 9 and 10 are agreed.

9. We express our deep concern at the increasing instability in the Near East. The current violence in the Occupied Territories is a clear sign that the status quo is not sustainable. An early negotiated settlement to the underlying Arab/Israel dispute is essential. We declare our support for the convening of a properly structured international conference as the appropriate framework for the necessary negotiations between the parties directly concerned. In this perspective, we salute current efforts aimed at achieving a settlement, including the initiative pursued by Mr. Shultz since March. We urge the parties to cooperate fully in the search for a solution.

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10. We have pursued our consultations about the continuing war between Iraq and Iran which remains a source of profound concern to us. We reaffirm our support for Security Council Resolution 598, which was adopted unanimously. We express our warm appreciation for the efforts of the Secretary General to work for a settlement on this basis, and reiterate our determination to ensure implementation of this mandatory resolution by a follow-up resolution if compliance cannot otherwise be secured. We condemn the use of chemical weapons by either party, deplore proliferation of ballistic missiles in the region, and renew our commitment to uphold the principle of freedom of navigation in the Gulf.

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If leaders wish to have text on terrorism, paragraphs 11-15 are agreed language.

11. We strongly reaffirm our condemnation of terrorism in all its forms, including the taking of hostages. We renew our commitment to policies and measures agreed at previous Summits, in particular those against state sponsored terrorism.

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12. We strongly condemn recent threats to air security, in particular the destruction of a Korean Airliner and the hijacking of a Kuwaiti Airliner. We recall the principle affirmed in previous declarations that terrorists must not go unpunished. We appeal to all countries who are not party to the international conventions on civil aviation security, in particular the Hague Convention, to accede to these conventions.

13. We express support for work currently underway in the International Civil Aviation Organization aimed at strengthening international protection against hijackings. (This includes measures to investigate future hijackings, to help countries to deal with hijackings, to strengthen security guidelines and to endorse the principle that hijacked aircraft should not be allowed to take off once they have landed, apart from exceptional circumstances.)

14. We welcome the adoption this year in Montreal and Rome of two international agreements on aviation and maritime security to enhance the safety of travellers.

15. We reaffirm our determination to continue the fight against terrorism through the application of rule of law, the policy of no concessions to terrorists and their sponsors, and international cooperation.